

BEFORE THE IDAHO BOARD OF TAX APPEALS

IN THE MATTER OF THE APPEALS OF MOGEY'S,) APPEAL NOS. 07-A-2085 AND
LLC from the decision of the Board of Equalization of) 07-A-2086
Shoshone County for tax year 2007.) FINAL DECISION
) AND ORDER

COMMERCIAL PROPERTY APPEAL

THESE MATTERS came on for consolidated hearing September 26, 2007, in Wallace, Idaho, before Hearing Officer Steven Wallace. Board Members Lyle R. Cobbs , David E. Kinghorn and Linda S. Pike participated in this decision. Kenneth Smith and Ray Flaherty appeared for Appellant. Assessor Jerry White and Deputy Assessor Greg Saylor appeared for Respondent Shoshone County. These appeals are taken from a decision of the Shoshone County Board of Equalization denying the protests of the valuation for taxing purposes of property described as Parcel Nos. RP D1050001003AA and RP D1050001001AA.

The issue on appeal is the market value of commercial property.

The decision of the Shoshone County Board of Equalization is affirmed.

FINDINGS OF FACT

These appeals concern the market value of two contiguous commercial properties. Each parcel is improved.

Parcel RPD1050001003AA

The assessed land value for this parcel is \$28,429, and the improvements' valuation is \$365,085, totaling \$393,514. In the notice of appeal, Appellant requested the land value remain at \$28,429, and the improvements' value be reduced to \$159,215, totaling \$187,644.

The subject property is a 6,912 square foot masonry building constructed in 1955 and used as a shop building. The structure has been improved and maintained over the years. The lot size is 14,475 square feet. According to County records, the parcel is improved with

approximately 13,668 square feet of asphalt paving. This parcel is contiguous with the second parcel discussed below.

Parcel RPD1050001001AA

The assessed land value for this parcel is \$25,200, and the improvements' valuation is \$82,714, totaling \$107,914. In the notice of appeal, Appellant requested the land value remain at \$25,200, and the improvements' value be reduced to \$36,072, totaling \$61,272.

The subject property is a 1,920 square foot, wood frame shop built in 1949. There is also an enclosed lean-to with 342 square feet. The combined lot size is 10,750 square feet.

The two subject properties reportedly sold in January 2007 for \$51,000. The price was determined many years ago as part of a lease-option and several tenant improvements were made over the years. Neither party gave consideration to the recent sale price in estimating subjects' current market value.

At hearing, Appellant presented a valuation of the two subject parcels as a single unit. An income approach was offered in support of the reduction sought for the subject improvements. The total value by this approach was \$248,916. Deducting the assessed value for the un-appealed land component (\$53,629) indicated a residual improvement value of \$195,287. Limited information was offered in support of the income approach and there was no explanation regarding the derivation of the 9% capitalization rate that was used. Mr. Smith testified these properties were assessed for "double" their market value.

Appellant also offered into evidence some historic cost information on the subject property. But the majority of the expenditures were made several years ago and were not broken out between the two subjects.

Respondent reported the subjects were last reappraised for the 2005 tax year.

Subsequent trending of this base value occurred in 2006 and again for the current 2007 tax year toward maintaining assessed values at market value. On appeal, the assessor presented information on five (5) commercial, 2006 improved property sales. The improved sales were not compared or adjusted to subject in a traditional sales comparison approach. However, some sales analysis was offered. The referenced trending for 2007 was determined from a sales ratio study pertaining to the same five improved commercial property sales.

The County presented a short income approach to value for each subject. The overall capitalization rate was 8%. No explanation or basis was provided for the capitalization rate and other factors in the model.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

Property assessments are based on the status and market value of property on January 1 of each assessment year. Idaho Code §§ 63-205(1), 63-201(10), 63-208 *et seq.* The specific date of valuation pertaining to the market value issue in this appeal is January 1, 2007.

In an appeal taken to this Board, the burden of proof falls upon the Appellant “to establish that the valuation from which the appeal is taken is erroneous . . . [a] preponderance of the evidence shall suffice to sustain the burden of proof.” Idaho Code § 63-511(4).

The County presented a valuation of the subject properties that was demonstrated to incorporate recent local sales of commercial property. The Assessor’s income approaches were not particularly persuasive evidence of market value on the January 1, 2007 assessment date.

Likewise Appellant's income approach was not found to be persuasive or good evidence of market value. Appellant did not present a valuation that considered recent sales of comparable property.

The assessed values were derived from a physical reappraisal of subjects in 2005 and updated with local sales information for the 2006 and 2007 tax years. The County's case benefitted from incorporating the available recent local sales through the mass appraisal mechanism of trending. The trend factors were applied broadly in Kellogg on a less than representative sales sample. However the assessment was demonstrated to be tied to or calibrated with the current marketplace. It is the County valuation model that most reflects recognized appraisal and assessment practices. The County value results are found to be more supported and better estimates of market value. Appellant did not meet the requisite burden of proof. Therefore the values determined by the Shoshone County Board of Equalization will be affirmed.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Shoshone County Board of Equalization concerning the subject parcels be, and the same hereby is, affirmed.

MAILED February 4, 2008